Mthonjaneni Local Municipality
(Registration number KZN 285)
Annual Financial Statements
for the year ended 30 June 2018

General Information

Mayoral committee	
Executive Mayor	Cllr S.B.K Biyela (Mayor)
	Cllr P.E Ntombela (Deputy Mayor)
	Cllr N.A Mbatha (Speaker)
	Cllr E.M Dludla (Exco Member)
	Cllr E. Masikane (Exco Member)
	Cllr M.J Xulu (Exco Member)
Councillors	Cllr B.M.T Sibiya
	Cllr B.N Zwane
	Cllr D.F Xulu
	Cllr D.M.O Ngcobo Deceased 2 March 2018
	Cllr E.M Mthembu Terminated 28 March 2018
	Cllr H.K.L Zungu
	Cllr J Mlawu
	Cllr M.E Zulu Deceased 04 July 2018
	Cllr M.N Biyela
	Cllr M.N Ndlangamandla
	Cllr M.S Zulu
	Cllr M.V Mchunu
	Cllr N.N Nzuza
	Cllr N.P Shobede
	Cllr P.S.M Mchunu
	Cllr S. P Buthelezi
	Cllr S.V Majola
	Cllr T.E Mpungose
	Cllr T.F Zincume
	Cllr Z.A Sibiya
Grading of local authority	Grade 1
Accounting Officer	Mr P.P Sibiya
Chief Finance Officer (CFO)	Mr N.M Myeni (Acting)
Business address	21 Reinhold Street Melmoth 3835
Postal address	P.O. Box 11 Melmoth 3835
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	BMM Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is partly dependent on the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Mthonjaneni Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note titled remuneration of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Provincial and Local Governements' determination in accordance with this Act.

The annual financial statements set out on pages 4 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Mr P.P Sibiya
Municipal Manager

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	9	543 824	418 947
Receivables from non-exchange transactions	10&11	37 657 243	29 034 640
VAT receivable	12	3 803 731	3 439 364
Consumer debtors	13	5 573 090	4 283 288
Cash and cash equivalents	14	3 680 200	20 281 935
		51 258 088	**57 458 174**
Non-Current Assets			
Biological assets	3	1 505 763	2 792 956
Investment property	4	111 773	117 197
Property, plant and equipment	5	351 366 863	324 804 669
Intangible assets	6	35 391	80 892
Heritage assets	7	589	589
		353 020 379	**327 796 303**
Total Assets		**404 278 467**	**385 254 477**
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	12 741 799	10 537 850
Consumer deposits	18	1 080 650	1 051 611
Unspent conditional grants and receipts	15	17 134	17 134
Provisions	16	3 260 955	2 945 922
		17 100 538	**14 552 517**
Non-Current Liabilities			
Employee benefit obligation	8	2 761 001	2 740 001
Provisions	16	5 107 283	4 639 206
		7 868 284	**7 379 207**
Total Liabilities		**24 968 822**	**21 931 724**
Net Assets		**379 309 645**	**363 322 753**
Accumulated surplus		379 309 645	363 322 753

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	21 984 542	19 889 514
Rental of facilities and equipment	21	226 610	228 853
Licences and permits		1 671 732	1 924 433
Other income	22	1 065 676	3 980 294
Interest received - investment	23	1 367 140	2 176 370
Fair value adjustments	32	-	197 961
Total revenue from exchange transactions		**26 315 700**	**28 397 425**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	11 431 084	9 788 938
Property rates - penalties imposed	24	1 158 439	1 045 586
Transfer revenue			
Government grants & subsidies	25	111 648 000	108 783 058
Fines, Penalties and Forfeits		9 006 350	31 617 600
Total revenue from non-exchange transactions		**133 243 873**	**151 235 182**
Total revenue	19	**159 559 573**	**179 632 607**
Expenditure			
Employee related costs	26	(42 913 126)	(33 194 696)
Remuneration of councillors	27	(7 637 279)	(6 440 618)
Depreciation and amortisation	28	(15 244 580)	(14 399 732)
Bulk purchases	29	(21 540 968)	(20 223 309)
Contracted services	30	(5 787 818)	(3 230 616)
Fair value adjustments	32	(1 260 378)	-
Actuarial losses		(21 000)	(195 954)
General Expenses	31	(49 167 532)	(77 443 371)
Total expenditure		**(143 572 681)**	**(155 128 296)**
Surplus for the year from continuing operations		**15 986 892**	**24 504 311**
Gain from transfer of functions between entities not under common control		-	54 720 546
Surplus for the year		**15 986 892**	**79 224 857**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**284 097 896**	**284 097 896**
Changes in net assets		
Surplus for the year	79 224 857	79 224 857
Total changes	79 224 857	79 224 857
Restated* Balance at 01 July 2017	**363 322 753**	**363 322 753**
Changes in net assets		
Surplus for the year	15 986 892	15 986 892
Total changes	15 986 892	15 986 892
Balance at 30 June 2018	**379 309 645**	**379 309 645**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Taxation		12 589 523	8 471 550
Sale of goods and services		23 294 391	63 872 542
Grants		111 648 000	108 783 058
Interest income		1 367 140	2 176 370
Other receipts		-	556 835
		148 899 054	183 860 355
Payments			
Employee costs		(50 529 405)	(38 894 857)
Suppliers		(73 236 429)	(101 547 010)
		(123 765 834)	(140 441 867)
Net cash flows from operating activities	34	**25 133 220**	**43 418 488**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(41 734 955)	(60 616 671)
Proceeds from sale of property, plant and equipment	5	-	746 836
Purchase of other intangible assets	6	-	(36 563)
Proceeds from sale of other intangible assets	6	-	14 956
Net cash flows from investing activities		**(41 734 955)**	**(59 891 442)**
Net increase/ (decrease) in cash and cash equivalents		**(16 601 735)**	**(16 472 954)**
Cash and cash equivalents at the beginning of the year		20 281 935	36 754 889
Cash and cash equivalents at the end of the year	14	**3 680 200**	**20 281 935**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	23 539 080	-	**23 539 080**	21 984 542	**(1 554 538)**	A
Rental of facilities and equipment	251 848	-	**251 848**	226 610	**(25 238)**	B
Licences and permits	2 692 591	-	**2 692 591**	1 671 732	**(1 020 859)**	C
Other income - (rollup)	3 545 190	-	**3 545 190**	1 065 676	**(2 479 514)**	
Interest received - investment	3 334 845	-	**3 334 845**	1 367 140	**(1 967 705)**	D
Total revenue from exchange transactions	**33 363 554**	-	**33 363 554**	**26 315 700**	**(7 047 854)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 165 070	-	**13 165 070**	11 431 084	**(1 733 986)**	E
Property rates - penalties imposed	-	-	-	1 158 439	**1 158 439**	
Transfer revenue						
Government grants & subsidies	102 862 000	2 786 000	**105 648 000**	111 648 000	**6 000 000**	F
Fines, Penalties and Forfeits	21 400 000	-	**21 400 000**	9 006 350	**(12 393 650)**	G
Total revenue from non-exchange transactions	**137 427 070**	**2 786 000**	**140 213 070**	**133 243 873**	**(6 969 197)**	
Total revenue	**170 790 624**	**2 786 000**	**173 576 624**	**159 559 573**	**(14 017 051)**	
Expenditure						
Personnel	(46 818 418)	2 302 334	**(44 516 084)**	(42 913 126)	**1 602 958**	H
Remuneration of councillors	(8 131 024)	456 719	**(7 674 305)**	(7 637 279)	**37 026**	
Depreciation and amortisation	(5 808 916)	-	**(5 808 916)**	(15 244 580)	**(9 435 664)**	I
Debt Impairment	(2 000 000)	-	**(2 000 000)**	-	**2 000 000**	
Bulk purchases	(23 800 000)	(507 260)	**(24 307 260)**	(21 540 968)	**2 766 292**	J
Contracted Services	(4 683 793)	(17 865 977)	**(22 549 770)**	(5 787 818)	**16 761 952**	K
Transfers and Subsidies	(580 000)	580 000	-	-	-	
General Expenses	(30 112 561)	11 163 302	**(18 949 259)**	(49 167 532)	**(30 218 273)**	L
Total expenditure	**(121 934 712)**	**(3 870 882)**	**(125 805 594)**	**(142 291 303)**	**(16 485 709)**	
Operating surplus	**48 855 912**	**(1 084 882)**	**47 771 030**	**17 268 270**	**(30 502 760)**	
Fair value adjustments	-	-	-	(1 260 378)	**(1 260 378)**	
Actuarial gains/losses	-	-	-	(21 000)	**(21 000)**	
	-	-	-	**(1 281 378)**	**(1 281 378)**	
Surplus before taxation	**48 855 912**	**(1 084 882)**	**47 771 030**	**15 986 892**	**(31 784 138)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**48 855 912**	**(1 084 882)**	**47 771 030**	**15 986 892**	**(31 784 138)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

For explanations of variances between the budget and actual figures please refer to note 51

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	13 165 070	-	13 165 070	-		13 165 070	12 589 523		(575 547)	96 %	96 %
Service charges	23 539 080	-	23 539 080	-		23 539 080	21 984 542		(1 554 538)	93 %	93 %
Investment revenue	3 334 845	-	3 334 845	-		3 334 845	1 367 140		(1 967 705)	41 %	41 %
Transfers recognised - operational	76 584 000	2 786 000	79 370 000	-		79 370 000	79 370 000		-	100 %	104 %
Other own revenue	27 889 628	-	27 889 628	-		27 889 628	11 970 368		(15 919 260)	43 %	43 %
Total revenue (excluding capital transfers and contributions)	**144 512 623**	**2 786 000**	**147 298 623**	**-**		**147 298 623**	**127 281 573**		**(20 017 050)**	**86 %**	**88 %**
Employee costs	46 818 418	(2 302 224)	44 516 194	-	-	44 516 194	(42 913 126)	-	(87 429 320)	(96)%	(92)%
Remuneration of councillors	8 131 024	(456 719)	7 674 305	-	-	7 674 305	(7 637 279)	-	(15 311 584)	(100)%	(94)%
Depreciation and asset impairment	5 808 916	-	5 808 916			5 808 916	(15 244 580)	-	(21 053 496)	(262)%	(262)%
Materials and bulk purchases	29 636 750	(3 885 740)	25 751 010	-	-	25 751 010	(21 540 968)	-	(47 291 978)	(84)%	(73)%
Transfers and grants	580 000	(580 000)	-	-	-	-	-	-	-	DIV/0 %	- %
Other expenditure	30 959 604	11 095 676	42 055 280	-	-	42 055 280	(56 236 728)	-	(98 292 008)	(134)%	(182)%
Total expenditure	**121 934 712**	**3 870 993**	**125 805 705**	**-**	**-**	**125 805 705**	**(143 572 681)**	**-**	**(269 378 386)**	**(114)%**	**(118)%**
Surplus/(Deficit)	**266 447 335**	**6 656 993**	**273 104 328**	**-**		**273 104 328**	**(16 291 108)**		**(289 395 436)**	**(6)%**	**(6)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	26 278 000	-	26 278 000	-		26 278 000	32 278 000		6 000 000	123 %	123 %
Surplus (Deficit) after capital transfers and contributions	**292 725 335**	**6 656 993**	**299 382 328**	**-**		**299 382 328**	**15 986 892**		**(283 395 436)**	**5 %**	**5 %**
Surplus/(Deficit) for the year	**292 725 335**	**6 656 993**	**299 382 328**	**-**		**299 382 328**	**15 986 892**		**(283 395 436)**	**5 %**	**5 %**
Capital expenditure and funds sources											
Total capital expenditure	26 278 000	-	26 278 000	-		26 278 000	41 734 955		15 456 955	159 %	159 %
Sources of capital funds											
Internally generated funds	13 405 000	9 740 076	23 145 076	-		23 145 076	-		(23 145 076)	- %	- %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	31 696 159	(14 821 453)	16 874 706	-		16 874 706	25 133 220		8 258 514	149 %	79 %
Net cash from (used) investing	(26 278 000)	(23 145 076)	(49 423 076)	-		(49 423 076)	(41 734 955)		7 688 121	84 %	159 %
Net increase/(decrease) in cash and cash equivalents	**5 418 159**	**(37 966 529)**	**(32 548 370)**	-		**(32 548 370)**	**(16 601 735)**		**15 946 635**	**51 %**	**(306)%**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	20 281 935		20 281 935	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**5 418 159**	**(37 966 529)**	**(32 548 370)**	-		**(32 548 370)**	**3 680 200**		**(36 228 570)**	**(11)%**	**68 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	40 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	
• Dwellings		30 Years
• Carports		15 Years
• Fence		25 Years
Machinery and equipment	Straight line	10 Years
Furniture and office equipment	Straight line	7 Years
Transport Assets	Straight line	7 Years
Infrastructure	Straight line	
• Electrical		15 Years
• Solid Waste		15 Years
• Roads		10 Years
Community	Straight line	25 Years
Other property, plant and equipment	Straight line	30 Years

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Licenses		10 Years
Computer software		5 Years

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.7 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or

Accounting Policies

1.8 Financial Instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Accounting Policies

1.8 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.9 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.11 Construction contracts and receivables (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Accounting Policies

1.14 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.14 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest, similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Accounting Policies

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Transfer of functions between entities not under common control

Additional text

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

(a) identifying the acquirer;

(b) determining the acquisition date;

(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and

(d) recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which the municipality obtains control of the acquiree.

Initial recognition

As of the acquisition date, the acquirer shall recognise, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

At the acquisition date, the municipality shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality shall make those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date

The municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

Accounting Policies

1.25 Transfer of functions between entities not under common control (continued)

Subsequent measurement

In general, an acquirer shall subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

3. Biological assets

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and Accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and Accumulated impairment**	**Carrying value**
Plants	1 505 763	-	1 505 763	2 792 956	-	2 792 956

Reconciliation of biological assets - 2018

	Opening balance	**Fair value adjustment**	**Total**
Plants	2 792 956	(1 287 193)	1 505 763

Reconciliation of biological assets - 2017

	Opening balance	**Gains or losses arising from changes in fair value**	**Impairment loss**	**Total**
Plants	2 661 916	197 961	(66 921)	2 792 956

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	238 995	(127 222)	111 773	238 995	(121 798)	117 197

Reconciliation of investment property - 2018

	Opening balance	**Depreciation**	**Total**
Investment property	117 197	(5 424)	111 773

Reconciliation of investment property - 2017

	Opening balance	**Depreciation**	**Total**
Investment property	120 950	(3 753)	117 197

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	46 198 292	-	46 198 292	46 198 292	-	46 198 292
Buildings	-	-	-	94 030 369	(17 216 732)	76 813 637
Plant and machinery	4 487 622	(1 316 426)	3 171 196	-	-	-
Furniture and fixtures	1 675 887	(797 931)	877 956	-	-	-
Motor vehicles	13 952 388	(6 646 138)	7 306 250	-	-	-
Computer Equipment	739 835	(399 623)	340 212	-	-	-
Infrastructure	-	-	-	126 395 187	(13 776 919)	112 618 268
Community	95 356 420	(16 818 644)	78 537 776	-	-	-
Other property, plant and equipment	-	-	-	20 567 901	(7 789 643)	12 778 258
Road infrastructure	92 084 854	(10 314 823)	81 770 031	-	-	-
Assets under construction	33 786 595	-	33 786 595	76 396 214	-	76 396 214
Stormwater infrastructure	8 993 093	(1 106 760)	7 886 333	-	-	-
Solid waste infrastructure	209 004	(53 549)	155 455	-	-	-
Water Supply Infrastructure	1 984 882	(198 488)	1 786 394	-	-	-
Electrical infrastructure	77 274 215	(9 570 652)	67 703 563	-	-	-
Other assets	27 366 568	(5 519 758)	21 846 810	-	-	-
Total	**404 109 655**	**(52 742 792)**	**351 366 863**	**363 587 963**	**(38 783 294)**	**324 804 669**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Reclassifications	Depreciation	Impairment loss	Total
Land	46 198 292	-	-	-	-	-	46 198 292
Buildings	76 813 637	-	-	(76 813 637)	-	-	-
Machinery and Equipment	-	874 132	-	2 916 690	(619 626)	-	3 171 196
Furniture and Office Equipment	-	558 091	-	435 670	(115 805)	-	877 956
Transport Assets	-	716 590	-	8 945 765	(2 356 105)	-	7 306 250
Computer Equipment	-	131 320	-	318 324	(109 432)	-	340 212
Infrastructure	112 618 268	-	-	(112 618 268)	-	-	-
Community Assets	-	195 020	18 506 741	63 301 548	(3 465 533)	-	78 537 776
Other property, plant and equipment	12 778 258	-	-	(12 778 258)	-	-	-
Road Infrastructure	-	-	22 467 827	62 971 020	(3 668 816)	-	81 770 031
Assets under construction	76 396 214	38 414 563	(81 024 182)	-	-	-	33 786 595
Stormwater infrastructure	-	-	1 058 268	7 164 276	(336 211)	-	7 886 333
Solid Waste Infrastructure	-	-	-	160 943	(5 488)	-	155 455
Water Supply Infrastructure	-	-	1 984 882	-	(198 488)	-	1 786 394
Electrical Infrastructure	-	641 884	28 099 339	42 250 404	(3 288 064)	-	67 703 563
Other Assets	-	203 355	8 907 125	13 745 523	(1 007 518)	(1 675)	21 846 810
	324 804 669	**41 734 955**	**-**	**-**	**(15 171 086)**	**(1 675)**	**351 366 863**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through redemarcation	Disposals	Transfers	Depreciation	Total
Land	46 112 327	85 965	-	-	-	-	46 198 292
Buildings	38 975 450	1 410 810	34 887 776	(70 740)	8 771 380	(7 161 039)	76 813 637
Infrastructure	116 103 530	72 000	-	(47 422)	-	(3 509 840)	112 618 268
Other property, plant and equipment	6 939 666	4 657 162	5 328 352	(628 675)	107 962	(3 626 209)	12 778 258
Assets under construction	23 025 434	54 390 734	7 859 386	-	(8 879 342)	-	76 396 214
	231 156 407	**60 616 671**	**48 075 514**	**(746 837)**	**-**	**(14 297 088)**	**324 804 669**

Reconciliation of Work-in-Progress 2018

	Included within Electrical Infrastructure	Included within Community Assets	Included within Road Infrastructure	Included within Other Assets	Included within Storm Water Infrastructure	Total
Opening balance	35 031 229	17 763 950	18 706 473	4 894 562	-	76 396 214
Additions	10 960 892	2 192 468	9 684 132	14 516 976	1 058 268	38 412 736
Transferred to completed items	(28 099 339)	(18 506 742)	(22 467 828)	(10 892 007)	(1 058 268)	(81 024 184)
	17 892 782	**1 449 676**	**5 922 777**	**8 519 531**	**-**	**33 784 766**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Electrical Infrastructure	Included within Community Assets	Included within Road Infrastruction	Included within Other Assets	Total
Opening balance	14 146 085	2 541 875	-	6 337 474	23 025 434
Additions	20 885 144	17 763 941	18 706 473	4 894 562	62 250 120
Transferred to completed items	-	(2 541 866)	-	(6 337 474)	(8 879 340)
	35 031 229	**36 470 423**	**36 470 423**	**4 894 562**	**76 396 214**

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	2 892 692	7 799 092
Materials	1 103 961	694 603
	3 996 653	**8 493 695**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

6. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	223 263	(187 872)	35 391	223 263	(142 371)	80 892

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	80 892	(45 501)	35 391

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	98 998	36 563	(14 962)	(39 707)	80 892

Notes to the Annual Financial Statements

Figures in Rand

7. Heritage assets

	2018			2017		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	589	-	589	589	-	589

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	589	589

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	589	589

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Employee benefit obligations

Defined benefit plan

The plan is a a post employment medical benefit plan.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 740 001	2 544 047
Net expense recognised in the statement of financial performance	21 000	195 954
	2 761 001	**2 740 001**

Net expense recognised in the statement of financial performance

Current service cost	204 000	224 791
Interest cost	284 000	247 141
Actuarial (gains) losses	(347 000)	(158 978)
Expected return on reimbursement rights	(120 000)	(117 000)
	21 000	**195 954**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(21 000)	(195 954)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,05 %	10,16 %
Medical cost trend rates	7,37 %	8,75 %
Expected increase in salaries	1,57 %	0,93 %
Expected pension increases	5,68 %	6,19 %
Proportion of employees opting for early retirement	3,37 %	3,37 %

9. Inventories

Consumable stores	543 824	353 814
Maintenance materials	-	65 133
	543 824	**418 947**

10. Receivables from non-exchange transactions

Fines	17 009 977	13 356 290
Other non-exchange receivable (Ntambanana Split)	5 715 430	5 715 430
Consumer debtors - Rates	14 931 836	9 962 920
	37 657 243	**29 034 640**

Reconciliation of provision for impairment traffice fines

Opening balance	(70 120 525)	(45 296 848)
Provision for impairment	(2 679 300)	(24 823 677)
	(72 799 825)	**(70 120 525)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

11. Property rates debtors disclosure

Gross balances		
Consumer debtors - Rates	18 794 842	12 801 030
Less: Allowance for impairment		
Consumer debtors - Rates	(3 863 006)	(2 838 110)
Net balance		
Consumer debtors - Rates	14 931 836	9 962 920
Rates		
31 - 60 days	488 515	25 937
61 - 90 days	412 788	474 777
91 - 120 days	306 396	459 512
121 - >365 days	17 587 143	11 675 936
Less allowance for impairment	(3 863 006)	(2 673 242)
	14 931 836	**9 962 920**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 838 110)	(579 398)
Contributions to allowance	(1 024 895)	(2 258 712)
	(3 863 005)	**(2 838 110)**

12. VAT receivable

VAT	3 803 731	3 439 364

13. Consumer debtors

Gross balances		
Electricity	5 160 783	3 560 441
Refuse	1 208 111	1 315 544
Other	160 915	100 915
	6 529 809	**4 976 900**
Less: Allowance for impairment		
Electricity	(471 831)	(334 276)
Refuse	(484 888)	(359 336)
	(956 719)	**(693 612)**
Net balance		
Electricity	4 688 952	3 226 165
Refuse	723 223	956 208
Other	160 915	100 915
	5 573 090	**4 283 288**
Included in above is receivables from exchange transactions		
Electricity	4 688 952	3 226 165
Refuse	723 223	956 021
Other	160 915	100 915
	5 573 090	**4 283 101**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Consumer debtors (continued)

Net balance	**5 573 090**	**4 283 101**
Electricity		
Current (0 -30 days)	59 239	1 738 805
31 - 60 days	38 514	442 950
61 - 90 days	407 581	83 460
91 - 120 days	290 514	54 741
121 - 365 days	4 442 847	906 209
Credit balances	(77 912)	-
Less allowance for impairment	(471 831)	-
	4 688 952	**3 226 165**
Refuse		
Current (0 -30 days)	38 290	83 123
31 - 60 days	89 340	62 120
61 - 90 days	25 217	26 766
91 - 120 days	57 338	24 079
121 - 365 days	997 926	760 120
Less allowance for impairment	(484 888)	-
	723 223	**956 208**
Other		
Current (0 -30 days)	160 915	100 915
Reconciliation of allowance for impairment		
Balance at beginning of the year	(693 612)	(201 378)
Contributions to allowance	(263 107)	(492 234)
	(956 719)	**(693 612)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	753	244
Bank balances	3 679 447	3 757 192
Short-term deposits	-	16 524 499
	3 680 200	**20 281 935**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
First National Bank - Current (Main) - 54980006117	1 528 893	3 669 170	1 749 594	1 551 189	3 690 198	1 816 559
First National Bank - Current - 62330032470	3 550	66 995	9 350	3 550	66 995	9 650
Investec - Call Account - 110-435097-501	59 405	11 099 769	10 056 219	59 405	11 099 769	10 056 219
First National Bank - Fixed deposit - 71245040078	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000
First National Bank - Call Account - 62051262146	499 350	499 543	499 543	499 351	499 543	499 543
First National Bank - Call Account - 62532063204	25 952	3 385 187	3 172 964	25 952	3 385 187	3 172 964
Investec - Wholesale Deposit - 1100-435097-451	-	-	25 374 938	-	-	25 374 938
Total	**3 657 150**	**20 260 664**	**42 402 608**	**3 679 447**	**20 281 692**	**42 469 873**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018	2017
Unspent conditional grants and receipts		
COGTA Grant	17 134	17 134

See note 25 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	3 157 206	71 888	-	98 189	3 327 283
Provision for bonus	579 121	-	(78 607)	-	500 514
Provision for leave pay	2 366 801	595 671	(202 031)	-	2 760 441
Long service awards	1 482 000	360 794	(62 794)	-	1 780 000
	7 585 128	**1 028 353**	**(343 432)**	**98 189**	**8 368 238**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	3 545 585	-	(459 291)	70 912	3 157 206
Provision for bonus	409 492	169 629	-	-	579 121
Provision for leave pay	1 950 059	416 742	-	-	2 366 801
Long service awards	1 122 162	359 838	-	-	1 482 000
	7 027 298	**946 209**	**(459 291)**	**70 912**	**7 585 128**

	2018	2017
Non-current liabilities	5 107 283	4 639 206
Current liabilities	3 260 955	2 945 922
	8 368 238	**7 585 128**

17. Payables from exchange transactions

	2018	2017
Trade payables	7 633 084	4 190 943
Amounts received in advance	927 035	1 809 910
Retentions	1 470 315	4 536 997
Third parties - payroll	1 829 573	-
Other payables	881 792	-
	12 741 799	**10 537 850**

18. Consumer deposits

	2018	2017
Electricity	745 726	714 012
Housing rental	334 924	337 599
	1 080 650	**1 051 611**

19. Revenue

	2018	2017
Service charges	21 984 542	19 889 514
Rental of facilities and equipment	226 610	228 853
Licences and permits	1 671 732	1 924 433
Other income	1 065 676	3 980 294
Interest received - investment	1 367 140	2 176 370
Property rates	11 431 084	9 788 938
Property rates - penalties imposed	1 158 439	1 045 586
Government grants & subsidies	111 648 000	108 783 058
Fines, Penalties and Forfeits	9 006 350	31 617 600
	159 559 573	**179 434 646**

Figures in Rand	2018	2017

19. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	21 984 542	19 889 514
Rental of facilities and equipment	226 610	228 853
Licences and permits	1 671 732	1 924 433
Other income - (rollup)	1 065 676	3 980 294
Interest received - investment	1 367 140	2 176 370
	26 315 700	**28 199 464**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	11 431 084	9 788 938
Property rates - penalties imposed	1 158 439	1 045 586
Transfer revenue		
Government grants & subsidies	111 648 000	108 783 058
Fines, Penalties and Forfeits	9 006 350	31 617 600
	133 243 873	**151 235 182**

20. Service charges

Service charges	512 520	81 379
Sale of electricity	19 976 469	18 390 461
Refuse removal	1 495 553	1 417 674
	21 984 542	**19 889 514**

21. Rental of facilities and equipment

Facilities and equipment		
Rank and stall fees	-	140
Commonage rent	139 284	148 298
Hire of hall	61 053	46 609
Staff housing	26 273	33 806
	226 610	**228 853**

22. Other income

Profit on sale of assets	-	228 268
Sundry income	239 345	3 567 404
Building plan fees	12 062	30 332
Cemetry fees	24 484	13 952
Rates clearance certificates	211	5 219
Hoarding	10 443	15 069
Photocopying	20 698	22 255
Valuation certificates	105	-
Insurance claims	758 328	96 690
Rezoning	-	1 105
	1 065 676	**3 980 294**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Investment revenue

Interest revenue		
Short term deposits	684 487	2 176 370
Bank	682 653	-
	1 367 140	**2 176 370**

24. Property rates

Rates received

Residential	1 528 955	2 437 527
Commercial	5 397 858	4 931 675
State	3 750 907	1 124 433
Agriculture	557 272	1 129 610
Public service infrastructure	85	20
Vacant land	196 007	165 673
	11 431 084	9 788 938
Property rates - penalties imposed	1 158 439	1 045 586
	12 589 523	**10 834 524**

Valuations

Residential	332 664 000	396 992 000
Commercial	387 567 000	365 010 000
State	290 910 000	217 513 000
Municipal	62 321 532	69 056 232
Places of worship	9 730 000	9 835 000
Agriculture	905 373 000	927 368 000
Public benefit organisation	-	320 000
Public service infrastructure	23 000	91 300
Vacant land	13 086 688	13 262 688
	2 001 675 220	**1 999 448 220**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies

Operating grants		
Equitable share	67 317 000	59 349 000
Expanded public works programme (EPWP)	2 222 000	2 161 000
Financial management grant (FMG)	2 850 000	2 738 000
KZN Libraries, Archives & Museums Grant	771 000	738 000
Waste grant	-	83 058
Municipal Demarcation Transition Grant	6 210 000	6 315 000
	79 370 000	**71 384 058**
Capital grants		
Municipal infrastructure grant (MIG)	24 278 000	28 899 000
Integrated National Electrification Grant (INEG)	8 000 000	8 500 000
	32 278 000	**37 399 000**
	111 648 000	**108 783 058**

Municipal Infrastructure Grant (MIG)

Current-year receipts	24 278 000	28 899 000
Conditions met - transferred to revenue	(24 278 000)	(28 899 000)
	-	-

Integrated National Electrification Grant (INEG)

Current-year receipts	8 000 000	8 500 000
Conditions met - transferred to revenue	(8 000 000)	(8 500 000)
	-	-

Library Grant

Current-year receipts	771 000	738 000
Conditions met - transferred to revenue	(771 000)	(738 000)
	-	-

Expanded Public Works Progarm Grant (EPWP)

Current-year receipts	2 222 000	2 161 000
Conditions met - transferred to revenue	(2 222 000)	(2 161 000)
	-	-

Demarcation Transition Grant

Current-year receipts - 2017/18 allocation	3 424 000	6 315 000
Current year receipts - Reimbursement for 2015/16 period expenditure	2 786 000	-
Conditions met - transferred to revenue	(6 210 000)	(6 315 000)
	-	-

During the 2015/16 period the municipality was gazetted to receive a demarcation grant allocation which was not received. However, some expenditure was incurred based on original gazette and claimed from COGTA. The claim was reimbursed in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Government grants and subsidies (continued)

Finance Management Grant (FMG)

Current-year receipts	2 850 000	2 738 000
Conditions met - transferred to revenue	(2 850 000)	(2 738 000)
	-	-

COGTA Grant

Balance unspent at beginning of year	17 134	176 776
Conditions met - transferred to revenue	-	(159 642)
	17 134	**17 134**

Waste Grant

Current-year receipts	-	83 058
Conditions met - transferred to revenue	-	(83 058)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Employee related costs

Basic	27 016 800	23 455 715
Bonus	1 826 755	504 243
Medical aid - company contributions	1 915 124	1 256 001
UIF	279 146	190 870
SALGA	13 274	10 583
Leave pay provision charge	476 597	359 838
Allowances	1 943 397	344 465
Overtime	1 759 122	1 409 661
Group life insurance	46 152	-
Defined contribution plans	3 475 630	2 557 153
Travel, motor car, accommodation, subsistence and other allowances	3 594 411	2 048 463
Long-service awards	62 794	94 057
Housing benefits and allowances	109 441	651 876
Skills development levy	394 483	311 771
	42 913 126	**33 194 696**

Remuneration of municipal manager

Annual Remuneration	903 518	1 580 947
Car Allowance	150 000	270 204
Contributions to UIF, Medical and Pension Funds	1 785	2 597
Remote allowance	42 191	-
Skills	10 777	18 123
	1 108 271	**1 871 871**

Remuneration of chief finance officer

Annual Remuneration	604 023	730 352
Car Allowance	233 512	219 862
Performance Bonuses	-	123 626
Contributions to UIF, Medical and Pension Funds	1 785	55 281
Remote allowance	33 501	-
Skills	9 095	10 448
Other	63 016	37 953
	944 932	**1 177 522**

Remuneration of director technical services

Annual Remuneration	331 497	1 114 757
Car Allowance	105 000	303 636
Performance Bonuses	-	61 813
Contributions to UIF, Medical and Pension Funds	1 041	68 613
Remote allowance	17 300	-
Other	9 000	23 176
Skills	4 427	81 481
	468 265	**1 653 476**

Remuneration of director corporate services

Annual Remuneration	75 134	782 401
Car Allowance	20 645	249 204
Contributions to UIF, Medical and Pension Funds	387	73 219
Skills	1 388	10 324
Other	3 745	33 192

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Employee related costs (continued)

Other	31 545	-
	132 844	**1 148 340**

Remuneration of director community services

Annual Remuneration	543 403	728 505
Car Allowance	150 000	232 676
Contributions to UIF, Medical and Pension Funds	1 785	75 713
Remote allowance	31 305	-
Other	72 000	69 192
Skills	7 771	10 905
	806 264	**1 116 991**

27. Remuneration of councillors

Executive Mayor	424 084	380 037
Deputy Executive Mayor	348 937	326 379
Mayoral Committee Members	987 856	822 646
Speaker	348 194	311 029
Councillors	4 921 798	4 038 310
Councillors' pension contribution	606 410	562 217
	7 637 279	**6 440 618**

In-kind benefits

The Executive Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are part-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Speaker and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor, Deputy Mayor and Speaker each have two full-time bodyguards.

28. Depreciation and amortisation

Property, plant and equipment	15 199 079	14 319 197
Investment property	-	40 828
Intangible assets	45 501	39 707
	15 244 580	**14 399 732**

29. Bulk purchases

Electricity	21 540 968	20 223 309

30. Contracted services

Information Technology Services	38 025	-
Operating Leases	759 957	1 108 993
Specialist Services	1 172 537	2 121 623
Other Contractors	3 817 299	-
	5 787 818	**3 230 616**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. General expenses

Advertising	4 296 498	887 371
Annual report	-	133 800
Assessment rates & municipal charges	20 313	14 107
Assets expensed	581 643	447 963
Auditors remuneration	2 379 248	1 737 345
Bank charges	114 788	63 775
Bursaries	592 830	564 465
Cleaning	-	270 891
Conferences and seminars	-	1 659 545
Consulting and professional fees	4 803 666	2 064 637
Consumables	1 610 668	420 995
Contribution to Impairment (Rates, Refuse, Traffic, Electricity)	3 967 302	27 574 623
Contribution to other provision	783 110	579 878
Cultural/Sports activities	2 095 997	1 576 069
Disaster management	-	326 602
Electricity	526 342	-
EPWP Stipends	2 999 193	-
Fuel and oil	1 764 133	886 844
Hire	113 466	-
Horticulture	-	50 411
IT expenses	56 268	2 043
Indigent support	5 799	72 167
Informal traders	-	5 210
Inspection fees	23 059	2 153
Insurance	412 683	302 899
LED projects	1 221 793	1 357 305
Magazines, books and periodicals	258 204	-
Management fees	41 313	-
Medical expenses	28 430	-
Other expenses	4 803	3 748 647
Indigent Burial	910 937	593 243
Printing and stationery	1 210 058	717 209
Protective clothing	1 229 924	314 537
Public participation	359 497	343 595
Refuse	615 329	370 873
Repairs and maintenance	3 956 652	8 493 695
Security (Guarding of municipal property)	5 393 180	3 444 684
Software expenses	279 695	-
Special programmes	-	162 910
Staff development	-	272 584
Staff welfare	259 709	470 825
Subscriptions and membership fees	502 400	510 816
Telephone and postage	1 327 351	1 035 745
Training	776 435	1 600
Transport and freight	-	245 133
Travel and subsistence	1 375 235	1 896 116
Grants expenditure	-	11 593 042
Workmen's compensation	243 798	250 400
Ward committees	1 951 047	1 498 452
Water	74 736	-
Youth activities	-	478 167
	49 167 532	**77 443 371**

32. Fair value adjustments

Biological assets - (Fair value model)	(1 260 378)	197 961

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. Auditors' remuneration

Fees	2 379 248	1 737 345

34. Cash generated from operations

Surplus	15 986 892	79 187 784
Adjustments for:		
Depreciation and amortisation	15 244 580	14 377 622
Fair value adjustments	1 260 378	(197 961)
Impairment deficit	-	66 921
Movements in retirement benefit assets and liabilities	21 000	195 954
Movements in provisions	783 110	141 088
Other non-cash items	170 789	-
Additions through transfer of functions	-	(48 075 514)
Changes in working capital:		
Inventories	(124 877)	40 691
Consumer debtors	(1 289 802)	152 197
Other receivables from non-exchange transactions	(8 787 471)	(4 198 040)
Payables from exchange transactions	2 203 949	4 313 509
VAT	(364 367)	(2 451 842)
Unspent conditional grants and receipts	-	(159 642)
Consumer deposits	29 039	25 721
	25 133 220	**43 418 488**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

35. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	-	37 657 243	37 657 243
Consumer debtors	-	5 573 090	5 573 090
Cash and cash equivalents	3 680 200	-	3 680 200
	3 680 200	**43 230 333**	**46 910 533**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	12 421 673	12 421 673
Trade and other payables from exchange transactions	12 613 722	12 613 722
	25 035 395	**25 035 395**

2017

Financial assets

	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	-	28 869 772	28 869 772
Consumer debtors	-	4 283 288	4 283 288
Cash and cash equivalents	20 281 935	-	20 281 935
	20 281 935	**33 153 060**	**53 434 995**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	9 027 073	9 027 073
Trade and other payables from exchange transactions	13 330 252	13 330 252
	22 357 325	**22 357 325**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

36. Transfer of functions between entities not under common control

Transfer of function from Ntambanana

In terms of Section 21 of the Local Government: Municipal Demarcation Act 27 of 1998, the Municipal Demarcation Board has re-determined the municipal boundaries of Ntambanana Local Municipality (KZN283) and Mthonjaneni Local Municipality (KZN285) as per demarcation no. DEM4154 and read together with Provincial Gazette no. 1594 (Provincial Notice 19 of 2016).

The redemarcation of municipal boundaries resulted in Ntambanana Municipality being dissolved and wards redistributed to three municipalities, namely Mhlatuze, Mfolozi and Mthonjaneni. On the 3rd of August 2016 local government elections took place and a new council was formed which incorporated four wards from Ntambanana Municipality due to the demarcation processes. As a result of the above events Mthonjaneni received 12 employees, Assets (moveable and immovable) and Liabilities. The total net assets transferred to Mthonjaneni Municipality as at 10 August 2016 is R 49 367 379.

Summary of net assets transferred to Mthonjaneni Municipality

Property, plant and equipment	-	42 722 346
Current tax receivable	-	885 283
Other receivables from non-exchange transactions	-	145 037
Cash and cash equivalents	-	6 505 691
Unspent conditional grants and receipts	-	(83 058)
Provisions	-	(89 943)
Payables from exchange transactions	-	(717 977)
	-	**49 367 379**

Gain or loss recognised in current reporting period

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	25 666 527	13 821 538
Total capital commitments		
Already contracted for but not provided for	25 666 527	13 821 538

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 277 023	1 332 450
- in second to fifth year inclusive	2 228 945	2 336 343
	3 505 968	**3 668 793**

Operating lease payments represent rentals payable by the municipality for certain of its telephone equipment, phototocopiers and motor vehicles. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	67 668	122 168
- in second to fifth year inclusive	53 111	508 317
- later than five years	-	225 186
	120 779	**855 671**

Certain commonage and vacant land is held to generate rental income. Lease agreements are non-cancellable and there are no contingent rents receivable.

38. Contingencies

There were no pending litigation cases as at 30 June 2018`.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

39. Related parties

Related party balances

The following councillors and key management owed the municipality in respect of traffic fines as at 30 June 2018

Councillors		
Cllr S.B.K Biyela (Mayor)	500	300
Cllr P.E Ntombela (Deputy Mayor)	2 350	2 300
Cllr N.A Mbatha (Speaker)	2 900	2 900
Cllr M.N Ndlangamandla	4 950	4 950
Cllr H.K.L Zungu	10 250	8 950
Cllr E.M Masikane	1 850	1 850
Cllr J Mlawu	1 450	1 250
Cllr M.E Zulu - Deceased	3 100	3 100
Cllr B.M.T Sibiya	5 900	5 800
Cllr D.F Xulu	600	450
Cllr D.M.O Ngcobo - Deceased	6 950	6 050
Cllr T.F Zincume	150	150
Cllr T.E Mpungose	200	200
Cllr D.M Dludla	5 600	-
Cllr Z.A Sibiya	400	400
Cllr E.M Mthembu - Terminated	3 850	3 050
	51 000	**41 700**
Directors		
Mr P.P Sibiya (Municipal Manager)	26 000	21 150
Mr Z.S Mthethwa (Director Community Services)	5 450	5 300
Mrs P.M Manqele (Director Corporate Services) - Resigned	7 400	7 400
Mr K.N Mthethwa (Chief Financial Officer) - Resigned	1 900	3 150
Mrs S. Mchunu (Director Technical Services)	950	-
	41 700	**37 000**

40. Prior period errors

During the financial period ended 30 June 2017, a re-demarcation process occurred which resulted in Ntambanana Muncipality being split. It's assets and liabilities were taken over by 3 municipalities, one of which was Mthonjaneni Municipality. A portion of Ntambanana Municipality's bank accounts was allocated to Mthonjaneni Municipality to the tune of R 5 715 430. In the prior year, the amount of R 5,715,430 was included under Cash and Cash Equivalents by the Municipality.

As at 30 June 2018, the amount has not been received from KZN COGTA due to a delay in the allocation directive's implementation. The balance has therefore been reallocated from Cash and Cash Equivalents to Receivables from Non-Exchange transactions in order to reflect the balance's true nature as it is not a Cash Equivalent.

There was Land identified in the Valuation Roll as being under the ownership of the Municipality which was not included in the Fixed Asset Register. These properties have been recognised accordingly.

There were Investment Properties which were included in the Fixed Asset Register but are not owned by the Municipality. The depreciation previously recoginised for the period ended 30 June 2017 has been corrected per the note below.

The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
40. Prior period errors (continued)		
Statement of financial position		
Cash and cash equivalents	-	(5 715 430)
Receivables from non-exchange transactions	-	5 715 430
Investment Property	-	(2 209 566)
Land	-	43 550 316
Opening Accumulated Surplus or Deficit	-	(41 303 675)
Statement of financial performance		
Depreciation expense	-	(37 075)
Cash flow statement		
Cash and cash equivalents at the end of the year		
Cash and cash equivalents at the beginning of the year	-	(5 715 430)

41. Comparative figures

Certain comparative figures have been reclassified.

To ensure more clarity to the municipality's reconciliation of movements within Property Plant and Equipment and subsequent compliance with mSCOA asset category classifications the PPE reconciliation note was reclassified. The carrying amount for Buildings disclosed in prior year was reclassified to Other Assets. The carrying amount for Infrastrucuture disclosed in prior year was reclassified to Community Assets, Electrical infrastructure, Solid waste infrastructure and Road infrastructure. The carrying amount for Other property plant and equipment was reclassified to Community Assets, Computer Equipment, Furniture and Office Equipment, Transport Assets, Machinery and Equipment.

Repairs and maintenance expense was disclosed separately on the Statement of Financial Performance in prior year. However, in current year it was disclosed as part of General Expenses.

The effects of the reclassifications are as follows:

	Previously Reported	**After Reclassification**
Buildings	76 813 637	-
Infrastructure	112 618 268	-
Other property, plant and equipment	12 778 258	-
Electrical infrastructure	-	42 250 404
Road infrastructure	-	70 137 133
Solid waste infrastructure	-	160 943
Machinery and equipment	-	2 916 690
Furniture and office equipment	-	435 670
Transport assets	-	8 945 762
Computer equipment	-	318 324
Community assets	-	63 301 548
Other assets	-	13 743 689
General Expenses	68 949 680	77 443 371
	271 159 843	**279 653 534**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Financial liabilities exposed to credit risk at year end are as follows:

Financial Liabilities	24 853 301	13 330 252

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Cash and cash equivalents	3 680 200	20 281 935
Trade and other receivables	5 573 090	4 283 288
	9 253 290	**24 565 223**

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Unauthorised expenditure

Opening balance	31 620 916	31 620 916
Add: Unauthorised Expenditure - current year	1 508 905	-
	33 129 821	**31 620 916**

45. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	56 504	42 222

Fruitless and wasteful expenditure comprises of interest on an overdue accounts (R17 665.22), Traffic fines on hired vehicles (R8 538.93), No show charges for accommodation reservations (R3 566.76) and cancellations for booked accommodation (R26 733.17).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Irregular expenditure

Opening balance	74 311 830	64 235 306
Add: Irregular Expenditure - current year	36 243 502	10 076 524
	110 555 332	**74 311 830**

Analysis of expenditure awaiting condonation per age classification

Current year	36 243 502	10 076 524
Prior years	74 311 830	64 235 306
	110 555 332	**74 311 830**

Details of irregular expenditure – current year

Dolphin Coast Waste	321 445
Fidelity Cash Solutions	81 783
Induna Logistics	6 784 586
Indwe Risk Services	454 059
Konica Minolta Zululand	282 875
Mfezi Security	1 797 550
TMT Services	1 192 454
Muffler & Towbar	14 946
Chico Man Trading	975 000
Buthelezi Mtshai Mzulwini Attorneys	787 137
Jabulani Teressa Construction	300 001
Silo Group Holdings	701 848
Ethala Construction	2 221 622
Somkhanda Plant Hire	3 028 944
	18 944 250

All the appointments above were adjudicated by a bid committee committee comprised of 3 Senior managers instead of the prescribed 4 Senior managers as per MFMA guidelines.

Details of irregular expenditure due to non-compliance with regulation on local production and content

Textile, Clothing, Leather and Footwear	2 187 735
Steel power pylons	230 540
Furniture	149 340
Electrical and telecoms cable prducts	12 105 034
	14 672 649

The above expenditure was in non-compliance with regulation on local production and content for designated sectors.

Details of irregular expenditure due to non-compliance with MFMA Regulation 13 (c) - Declarations were not obtained from written quotations (R2 626 605).

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	483 547	418 248
Amount paid - current year	(483 547)	(418 248)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity distribution losses

Units lost (KiloWatts)	2 240 730	2 284 409
Units lost (Selling price)	2 968 337	3 194 874
Units lost (Purchase price)	1 921 840	1 647 198
Units lost (Percentage	12,82%	13.46%
	-	-

The electricity distribution losses are mainly due to aging infrastructure, technical losses and illegal connections.

Audit fees

Current year subscription / fee	2 379 248	1 737 345
Amount paid - current year	(2 379 248)	(1 737 345)
	-	-

PAYE and UIF

Current year subscription / fee	7 391 027	6 141 429
Amount paid - current year	(7 391 027)	(6 141 429)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	9 833 410	7 730 700
Amount paid - current year	(9 833 410)	(7 730 700)
	-	-

VAT

VAT receivable	3 803 731	3 439 364

All VAT returns have been submitted by the due date throughout the year.

48. Deviation from supply chain management regulations

Deviations current year (Regulation 36)		
Emergency procurement	4 401 442	2 107 301
Sole supplier or service provider	1 558 894	888 177
Impractical/Impossible to follow procurement process	3 440 597	3 497 304
	9 400 933	**6 492 782**
Deviations current year (Regulation 32)	4 303 517	-

49. Other revenue

Other income - (rollup)	1 065 676	3 980 294

50. Events after the reporting date

The Chief Financial Officer resigned effective 30 June 2018. Council subsequently appointed an acting CFO on 1 July 2018.

51. Budget differences

Material differences between budget and actual amounts

A - Service Charges

A negative variance of 7% below the budget between final budget of service charges and the actual revenue from service charges resulted from the fact that there was a reduction in electricity consumption. Residents and businesses consumed less electricity than anticipated.

B - Rental of facilities and equipment

The variance between actual and budget of 10% below the budget for rental of facilities was due to the fact that some facilities were not utilised as anticipated by the municipality.

C - Licences and permits

The variance between actual and the final budget of 38% below the budget for licenses and permits was due to the fact that the municipality did not manage to issue as much of licences and permits as targeted. This is beyond the control of the municipality as licences and permits depend on how many people needed them during the financial year.

D - Interest received - Investments

The variance between the budget and actual of 60% below the budgeted amount was caused by the reduction in investments to fund the adjustments budget for 2017/18 financial year.

E - Property rates - penalties imposed

The large variance of above budget is caused by the municipality's expectations that not a huge number of customers would fail to pay on time hence the budget is very low compared to the actual amount recognised. This was budgeted as part of property rates.

F - Government Grants and Subsidies

The positive variance between the budget and actual on government grants and subsidies was a result of an additional R 6 million received from KZN Cogta for Municipal Infrastructure grant (MIG). The additional allocation was given to be municipality due to its good performance on the expenditure of MIG in the current year 2017/18.

G - Fines, penalties and forfeits

A negative variance of 58% below the budget was caused by that the municipality initial had a contract with TMT company that assisted with traffic fine management. This contract expired at the end of November 2017 and thereby reducing the municipal capacity to raise and collect monies for traffic violations.

H - Employee related costs

The positive variance below the budget for employee related cost was caused by the savings made on the funded posts that were not filled during the year.

I - Depreciation and amortisation

The large variance of above the budget was caused by that the municipality after planning to dispose a number of assets but eventually not all of them were disposed hence the depreciation for the year became very high. And also more capital projects were finished during the year than anticipated.

J - Bulk purchases

51. Budget differences (continued)

The variance of 14% below the budget of service charges and the actual resulted from the fact that there was a reduction in electricity consumption. Residents and businesses consumed less electricity that anticipated hence the municipality reduced its bulk purchase on electricity.

K - Contracted services

The large variance between the budget and actual was largely caused by the introduction of regulation on municipal standard chart of accounts (mSCOA) which required a further classification in terms of whether the goods and services are contracted or not.

L - General expenses

The large variance between the budget and actual was largely caused by the introduction of regulation on municipal standard chart of accounts (mSCOA). Other expenditure line items such as "grant expenditure" were split amongst the relevant expenditure categories.